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Committee on Financial Services

Michael G. Oxley, Chairman

For Immediate Release:

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Financial Services Committee Members Ask HUD to Settle Debts, Conduct Investigation on Spending Violations

House Financial Services Chairman Michael G. Oxley (OH) was joined by five members of the Committee in a letter requesting House appropriators to make good on payments the Department of Housing and Urban Development (HUD) owes to nonprofit housing organizations.

“The groups involved are suffering disastrous impacts from the lack of reimbursements; they are ceasing their development activities, and staff is being dismissed,” Committee Members wrote in the letter to House Appropriations Chairman C.W. Bill Young (FL) and Ranking Member David R. Obey (WI).

The HUD Office of Multifamily Housing Assistance Restructuring (OMHAR) made an error in promising funds over its allowed limit per the Anti-Deficiency Act (ADA). The office wrongly assumed that funds could be carried over to the next year for future obligations.

“While we deplore these ADA violations, there are approximately 40 tenant, nonprofit, and other organizations in numerous states that acted in good faith and relied on OMHAR’s promise and obligation to reimburse them for work properly completed and billed,” wrote Reps. Oxley, Marge Roukema (NJ), Sue W. Kelly (NY), John J. LaFalce (NY), Barney Frank (MA) and Luis V. Gutierrez (IL).

The funds in question are dispersed by tenant and community development groups based on awarded grants. The groups then submit invoices to OMHAR to be reimbursed for money already spent.

“These nonprofit organizations depend on these reimbursements to pay their very small staff and other expenses to assist tenant-based groups affected by debt and section 8 restructuring...These programs are touted as cost-effective ways to empower residents to partner with HUD to save federal funds and leverage state and local resources to preserve affordable housing,” wrote Reps. Patrick J. Tiberi (OH) and Deborah Pryce (OH) in a separate letter to Chairman Oxley on the matter.

After discovering the spending violation, HUD stopped payments and requested Congress grant budget authority to cover the discrepancy. In the letter, Committee Members asked appropriators to add the needed funds to the appropriate budget vehicle.

Meanwhile, the House Financial Services Subcommittees on Housing and Oversight have begun an investigation into the misappropriation of funds and look to involve the General Accounting Office in a review of the matter.

“The Committee pledges to exercise its oversight responsibilities over HUD to conduct a thorough investigation of the deficiencies, identify the culpable parties, and take corrective action to ensure no repeat of the deficiency,” the Members wrote.

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